

Summary of Loans Outstanding -National Forge Europe
(000's Omitted)

| | <u>9/30/99</u> | <u>6/30/99</u> | <u>3/31/99</u> | <u>12/31/98</u> | <u>9/30/98</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Notes payable and current portion of long-term debt | | | | | |
| Loan Notes | <u>\$ 1,138</u> | <u>\$ 924</u> | <u>\$ 927</u> | <u>\$ 1,266</u> | <u>\$ 1,112</u> |
| Long-Term Debt | | | | | |
| Loan Notes | <u>\$ 3,503</u> | <u>\$ 3,521</u> | <u>\$ 3,836</u> | <u>\$ 4,127</u> | <u>\$ 4,413</u> |
| Total Debt | | | | | |
| Loan Notes | <u>\$ 4,641</u> | <u>\$ 4,445</u> | <u>\$ 4,763</u> | <u>\$ 5,393</u> | <u>\$ 5,525</u> |
| Total Cash and cash equivalents | <u>\$ 473</u> | <u>\$ 267</u> | <u>\$ 295</u> | <u>\$ 566</u> | <u>\$ 395</u> |
| Net Borrowings | <u>\$ 4,168</u> | <u>\$ 4,178</u> | <u>\$ 4,468</u> | <u>\$ 4,827</u> | <u>\$ 5,130</u> |
| Exchange Rate | 1.6471 | 1.5773 | 1.6118 | 1.6595 | 1.7000 |

Summary of Loans Outstanding -North West Forgemasters Ltd.
(000's Omitted)

| | <u>9/30/99</u> | <u>6/30/99</u> | <u>3/31/99</u> | <u>12/31/98</u> | <u>9/30/98</u> |
|--|----------------|----------------|----------------|-----------------|----------------|
| Notes payable and current portion of long-term debt | | | | | |
| Bank Overdraft | \$357 | \$164 | \$0 | \$0 | \$129 |
| Total | <u>\$357</u> | <u>\$164</u> | <u>\$0</u> | <u>\$0</u> | <u>\$129</u> |
| Long-Term Debt | | | | | |
| Total | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Total Debt | | | | | |
| Bank Overdraft | \$357 | \$164 | \$0 | \$0 | \$129 |
| Total | <u>\$357</u> | <u>\$164</u> | <u>\$0</u> | <u>\$0</u> | <u>\$129</u> |
| Total Cash and cash equivalents | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 37</u> | <u>\$ 106</u> | <u>\$ -</u> |
| Net Borrowings | <u>\$ 357</u> | <u>\$ 164</u> | <u>\$ (37)</u> | <u>\$ (106)</u> | <u>\$ 129</u> |
| Exchange Rate | 1.6471 | 1.5773 | 1.6118 | 1.6595 | 1.7000 |

**Summary of Loans Outstanding -Global Crankshaft Services Ltd.
(000's Omitted)**

| | <u>9/30/99</u> | <u>6/30/99</u> | <u>3/31/99</u> | <u>12/31/98</u> | <u>9/30/98</u> |
|--|----------------|----------------|----------------|-----------------|----------------|
| Notes payable and current portion of long-term debt | | | | | |
| Bank Overdraft | \$66 | \$52 | \$47 | \$37 | \$17 |
| Total | <u>\$66</u> | <u>\$52</u> | <u>\$47</u> | <u>\$37</u> | <u>\$17</u> |
| Long-Term Debt | | | | | |
| Total | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Total Debt | | | | | |
| Bank Overdraft | \$66 | \$52 | \$47 | \$37 | \$17 |
| Total | <u>\$66</u> | <u>\$52</u> | <u>\$47</u> | <u>\$37</u> | <u>\$17</u> |
| Total Cash and cash equivalents | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Net Borrowings | <u>\$ 66</u> | <u>\$ 52</u> | <u>\$ 47</u> | <u>\$ 37</u> | <u>\$ 17</u> |
| Exchange Rate | 1.6471 | 1.5773 | 1.6118 | 1.6595 | 1.7000 |

BORROWING BASE CERTIFICATE

TO: The Chase Manhattan Bank
 200 Jericho Quadrangle
 Jericho, New York 11753
 Attn: Carol A. Edkins, Vice President

DATE: 10/20/99

SUBJECT: National Forge Company

| | | | |
|----|--|----|--------|
| A. | Total Accounts Receivable as of 09/30/99 | | |
| | National Forge Company | \$ | 10,564 |
| | National Forge Components | \$ | 62 |
| | Ineligibles: | | |
| | Accounts Receivable over 60 days | \$ | 1,009 |
| | Contras | \$ | 17 |
| | Receivables from affiliate companies | \$ | 8 |
| | Foreign Receivables not supported by FCIA insurance or letters of credit | \$ | 0 |
| | Cross-aged Receivables | \$ | 236 |
| | Disputes | \$ | 0 |
| | Customer Deposits | \$ | 10 |
| | Credits | \$ | 1 |
| | Concentrations (portion of Receivable over 10% of Total Accounts Receivable, excluding Receivables from General Electric) | \$ | 0 |
| | Government Receivables with no Assignment of Claims Act notice acknowledgement | \$ | 1,855 |
| | Progress Billings | \$ | 0 |
| | Other | \$ | 0 |
| | Total ineligible | \$ | 3,136 |
| | Net Eligible Accounts Receivable | \$ | 7,490 |
| | Availability (85% Advance Rate; 75% for Foreign currency denominated Receivables not hedged by a Currency Hedge Arrangement) | | |
| | 6,828 @85% | \$ | 6,300 |
| | 662 @75% | | |

Borrowing Base Certificate: 09/30/99
National Forge Company
Page 2

B. Total Inventory as of 09/30/99 17,887

| | Waiting to ship | Work In Process | Manufactured Parts | Purchased Parts | Stores | Total |
|--------------------------------------|--------------------|--------------------|-----------------------|--------------------|----------|----------|
| Ineligibles | 2,634 | 8,759 | 3,631 | 1,650 | 1,213 | 17,887 |
| Book Reserves | | | | | | 0 |
| Heats of steel adjustment | | 203 | | | | 0 |
| Bill and Hold | 2,405 | | | | | 203 |
| Recost | (3) | 129 | 43 | 45 | 16 | 2,405 |
| Scrap Value adjustment | | | | 462 | | 230 |
| Mold reclassified as fixed assets | | | | | | 462 |
| Weights adjustment | | | | | | 0 |
| Other | | | | | | 0 |
| Total Ineligibles | 2,402 \$ | 332 \$ | 43 \$ | 507 \$ | 16 \$ | 3,300 |
| Net Eligible Inventory | 232 \$ | 8,427 \$ | 3,588 \$ | 1,143 \$ | 1,197 \$ | 14,587 |
| Advance Rates | 80% | 43.5% | 50% | 50% | 20% | |
| Availability | 186 | 3,666 | 1,794 | 572 | 239 | \$ 6,457 |

| | | |
|----|---|-----------|
| C. | Total Availability on Accounts Receivables and Inventory (\$12,000 or the actual availability, whichever is lower) | \$ 12,000 |
| D. | Loans Currently Outstanding | \$ 2,595 |
| | Amounts Requested/Paid | \$ 0 |
| | Letters of Credit Currently Outstanding | \$ 3,100 |
| | Mitchell Shackleton Loan Guarantee | \$ 824 |
| | Northwest Forgemasters | \$ 824 |
| | Guaranty Reserve | \$ 55 |
| | Currency Hedge Exposure Reserve | \$ TBD |
| | Total | \$ 7,398 |
| | Net Available (C-D) | \$ 4,602 |

Borrowing Base Certificate
National Forge Company
Page 3

The undersigned hereby represents and warrants that this is a correct statement regarding the status of accounts receivable and inventory assigned to Chase Bank and that the figures set forth are completely accurate. The undersigned further warrants and represents that the Company is in complete compliance with all of the terms and conditions in the agreements between us. The undersigned further understands that your loans to the Company will be based upon your reliance on the information contained herein.

National Forge Company
(Company Name)

October 21, 1999
(Dated)


Authorized Signature

Assistant Treasurer & Assistant Secretary
(Title)

National Forge Company
 FIFO BASIS Chase Bank Covenants
 (dollars in thousands)

| | Qtr ended Dec-98 | Qtr ended Mar-99 | Qtr ended Jun-99 | Qtr ended Sep-99 |
|---|---------------------|---------------------|---------------------|---------------------|
| Section 7.07 Capital Expenditures | | | | |
| Required Covenant-capital expenditures not to exceed | | | | |
| Domestic subsidiaries | 4,481 | 4,481 | 5,266 | 4,000 |
| Total Spent (Irvine & Components) | 2,438 | 2,964 | 5,266 | 809 |
| Carry over | 2,043 | 1,517 | 0 | |
| NFE Consolidated | 823 | 823 | 823 | 780 |
| Total Spent | 147 | 235 | 293 | 12 |
| Carry over | 676 | 588 | 530 | 768 |
| Maximum total capital expenditures | 5,304 | 5,304 | 6,089 | 4,780 |
| Total Spent YTD in FY (Irvine & Components) | 2,585 | 3,199 | 5,559 | 821 |
| Compliance (Yes/No) | Yes | Yes | Yes | Yes |

Section 7.08 Debt Service Coverage Ratio

| | | | | |
|---|-------|-------|-------|-------|
| Net cash flow | 6,884 | 6,485 | 5,362 | 5,808 |
| Debt Service Expense | 4,239 | 4,186 | 4,450 | 4,485 |
| Required Covenant Ratio - Minimum Allowed | 1.20 | 1.20 | 1.20 | 1.20 |
| Calculated ratio | 1.62 | 1.55 | 1.20 | 1.29 |
| Compliance (Yes/No) | Yes | Yes | Yes | Yes |

Section 7.09 Interest Coverage Ratio

| | | | | |
|---|--------|--------|--------|--------|
| EBITDA less capital expenditures | 11,868 | 11,892 | 10,631 | 10,521 |
| Cash Interest Expense | 2,144 | 2,255 | 2,055 | 1,831 |
| Required Covenant Ratio - Minimum Allowed | 3.00 | 3.25 | 3.50 | 3.50 |
| Calculated ratio | 5.54 | 5.27 | 5.17 | 5.74 |
| Compliance (Yes/No) | Yes | Yes | Yes | Yes |

Section 7.10 Total Funded Debt to Net Cash Flow

| | | | | |
|---|--------|--------|--------|--------|
| Total Funded Debt | 29,051 | 28,006 | 28,338 | 28,241 |
| Net Cash Flow | 6,884 | 6,485 | 5,362 | 5,808 |
| Required Covenant Ratio - Maximum Allowed | 6.35 | 5.50 | 5.50 | 5.20 |
| Calculated ratio | 4.22 | 4.32 | 5.28 | 4.86 |
| Compliance (Yes/No) | Yes | Yes | Yes | Yes |

SUMMARY
2000 CAPITAL EXPENDITURES AUTHORIZED
THROUGH 9/30/99

| | | <u>AMOUNT APPROVED</u> |
|------------------------------------|-----------|----------------------------|
| IRVINE PLANT | | |
| AMOUNT APPROVED THROUGH 9/30/99 | | 257,825 |
| 2000 BOARD PROGRAM | 4,000,000 | |
| BALANCE 2000 PROGRAM | 3,742,175 | |
| MITCHELL SHACKLETON | | |
| AMOUNT APPROVED THROUGH 9/30/99 | | 0 |
| NORTHWEST FORGEMASTERS LTD. | | |
| AMOUNT APPROVED THROUGH 9/30/99 | | 0 |
| 2000 BOARD PROGRAM | 400,000 | |
| BALANCE 2000 PROGRAM | 400,000 | |

IRVINE PLANT
 IRVINE, PA
 FYE 2000 CAPITAL EXPENDITURES AUTHORIZED
 THROUGH 9/30/99

| DEPARTMENT | P# | PROJECT DESCRIPTION | DATE APPROVED | AMOUNT APPROVED |
|----------------|---------|---|------------------|--------------------|
| PF/HT | P-564-R | REPAIR #740 FURNACE CAR | 7/16/99 | 21,260 |
| INSP-QC | P-581-R | GRANITE PLATE FOR FINAL INSPECTION | 8/31/99 | 3,409 |
| IND RELATIONS | P-582 | SENDING/RECEIVING FIBER OPTIC BOARDS | 7/15/99 | 8,000 |
| YARD | P-583 | REPAIR IN-PLANT RAILROAD SYSTEM | 7/16/99 | 17,860 |
| IS / HEAT TREA | P-584 | HARDWARE & CABLE FOR USE IN HT | 7/29/99 | 6,300 |
| GEN PL MAINT | P-585 | REPAIR CONCRETE WALLS WW PLANT | 8/10/99 | 6,900 |
| GEN PL MAINT | P-586 | INSULATE C/S FIN WALL | 8/13/99 | 8,395 |
| GEN PL MAINT | P-588 | REPLACE HEAT/COOL SYSTEM PURCHING | 8/30/99 | 25,252 |
| CORP OFFICE | P-589 | RICOH AFICIO DIGITAL 650 COPIER/PRINTER | 8/17/99 | 16,600 |
| HEAT TREAT | P-590 | ONE SELF-CONTAINED AIR CONDITIONER | 8/30/99 | 17,672 |
| GEN PL MAINT | P-591 | CONCRETE FLOOR VEH MAINT BLDG | 8/30/99 | 8,460 |
| HEAT TREAT | P-592 | 3 REPLACEMENT PUMPS FOR #190 | 8/30/99 | 24,815 |
| PF/MACH | P-593 | 2 MAGNETIC CHIP CONVEYORS | 9/08/99 | 15,000 |
| IS | P-594 | PURCH PERSONAL COMPUTERS | 9/24/99 | 5,900 |
| GEN PL MAINT | P-595 | REPAIR CORPORATE ROOF | 10/5/99 | 60,000 |
| MACH/ROUGH | P-598 | INSTALLATION OF NEW BEARINGS | 10/5/99 | 12,002 |

TOTALS FOR IRVINE 257,825

NATIONAL FORGE COMPONENTS
 FYE 2000 CAPITAL EXPENDITURES AUTHORIZED
 THROUGH 9/30/99

| DEPARTMENT | P# | PROJECT DESCRIPTION | DATE APPROVED | AMOUNT APPROVED |
|------------|----|---------------------|------------------|--------------------|
|------------|----|---------------------|------------------|--------------------|

TOTALS FOR NATIONAL FORGE COMPONENTS 0

M.S.L.
 MANCHESTER, U.K.
 2000 CAPITAL EXPENDITURES AUTHORIZED
 THROUGH 9/30/99

| P# | PROJECT DESCRIPTION | DATE APPROVED | POUNDS STERLING/ DOLLARS APPROVED |
|----|--------------------------------|------------------|--|
| | | | £ |
| | | | \$ |
| | | | £ |
| | | | \$ |
| | TOTALS FOR MITCHELL SHACKLETON | | £ |
| | | | \$ |

NORTHWEST FORGEMASTERS LTD.
 MANCHESTER, U.K.
 2000 CAPITAL EXPENDITURES AUTHORIZED
 THROUGH 9/30/99

| P# | PROJECT DESCRIPTION | DATE APPROVED | POUNDS STERLING/ DOLLARS APPROVED |
|----|-----------------------------------|------------------|--|
| | | | £ |
| | | | \$ |
| | | | £ |
| | | | \$ |
| | TOTALS FOR NORTHWEST FORGEMASTERS | | £ |
| | | | \$ |

NATIONAL FORGE COMPANY
CAPITAL PROJECT STATUS
AS OF SEPTEMBER 30, 1999

| DEPARTMENT | P# | FY 2000 OPEN CAPITAL PROJECTS | DATE APPR | AMOUNT APPR | SPENT FY00 | SPENT TO DATE | BALANCE | % OF ALLOC SPENT |
|-----------------------------|---------|--|-----------|-------------|------------|---------------|---------|------------------|
| INSP-QC | P-581-R | GRANITE PLATE FOR FINAL INSPECTION | 8/31/99 | 3,409 | | 0 | 3,409 | 0.00% |
| IND RELATIONS | P-582 | SENDING/RECEIVING FIBER OPTIC BOARD | 7/15/99 | 8,000 | | 0 | 8,000 | 0.00% |
| YARD | P-583 | REPAIR IN-PLANT RAILROAD SYSTEM | 7/16/99 | 17,860 | 237 | 237 | 17,623 | 1.33% |
| IS / HEAT TREAT | P-584 | HARDWARE & CABLE FOR USE IN HT | 7/29/99 | 6,300 | 1,767 | 1,767 | 4,533 | 28.05% |
| GEN PL MAINT | P-585 | REPAIR CONCRETE WALLS WW PLANT | 8/10/99 | 6,900 | 5,100 | 5,100 | 1,800 | 73.91% |
| GEN PL MAINT | P-586 | INSULATE C/S FIN WALL | 8/13/99 | 8,395 | | 0 | 8,395 | 0.00% |
| GEN PL MAINT | P-588 | REPLACE HEAT/COOL SYSTEM PURCHING | 8/30/99 | 25,252 | | 0 | 25,252 | 0.00% |
| CORP OFFICE | P-589 | RICOH AFICIO DIGITAL 650 COPIER/PRINTE | 8/17/99 | 16,600 | 16,271 | 16,271 | 329 | 98.02% |
| HEAT TREAT | P-590 | ONE SELF-CONTAINED AIR CONDITIONER | 8/30/99 | 17,672 | | 0 | 17,672 | 0.00% |
| GEN PL MAINT | P-591 | CONCRETE FLOOR VEH MAINT BLDG | 8/30/99 | 8,460 | | 0 | 8,460 | 0.00% |
| PF/MACH | P-593 | 2 MAGNETIC CHIP CONVEYORS | 9/08/99 | 15,000 | | 0 | 15,000 | 0.00% |
| IS | P-594 | PURCH PERSONAL COMPUTERS | 9/24/99 | 5,900 | | 0 | 5,900 | 0.00% |
| GEN PL MAINT | P-595 | REPAIR CORPORATE ROOF | 10/5/99 | 60,000 | | 0 | 60,000 | 0.00% |
| MACH/ROUGH | P-598 | INSTALLATION OF NEW BEARINGS | 10/5/99 | 12,002 | | 0 | 12,002 | 0.00% |
| TOTAL OPEN FY 2000 PROJECTS | | | | 211,750 | 23,375 | 23,375 | 188,375 | 11.04% |

| DEPARTMENT | P# | PR YR OPEN CAPITAL PROJECTS | DATE APPR | AMOUNT APPR | SPENT FY00 | SPENT TO DATE | BALANCE | % OF ALLOC SPENT |
|-----------------------------|-------|--------------------------------------|-----------|-------------|------------|---------------|-----------|------------------|
| FP/FORGE | P-346 | 949 FORGING MANIPULATOR-ADD'L COST | 04/25/96 | 71,420 | 3,661 | 3,661 | 67,759 | 5.13% |
| C/S FINISHING | P-404 | TRANSFORM 731 PIN GRINDER TO MAIN | 08/19/97 | 870,500 | 180,306 | 581,684 | 288,816 | 66.82% |
| PF/MACHINE | P-407 | MODIFY #408 DRILL | 02/13/97 | 8,600 | | 249 | 8,351 | 2.90% |
| MACH/ROUGH | P-441 | MODIFY #807 CENTERING MACHINE | 08/19/97 | 78,556 | | 62,715 | 15,841 | 79.83% |
| PF/MACHINE | P-444 | PUR/RBLD LATHE - C/S ADD'L COSTS | 10/29/97 | 55,136 | 7,115 | 7,115 | 48,021 | 12.90% |
| HT/WELDING | P-447 | ROLLERS FOR STRAIGHTENING PRESS | 10/29/97 | 53,205 | 33,204 | 80,951 | 0 | 152.15% |
| SHIPPING | P-476 | UPGRADE SHOT PEEN FACILITY-ADD'L COS | 01/23/98 | 29,439 | 4,477 | 4,477 | 24,962 | 15.21% |
| MACH/ROUGH | P-486 | TOOL POST MODIFICATION | 02/26/98 | 22,000 | | 3,429 | 18,571 | 15.59% |
| MELT | P-488 | P&I WATER COOLING BEZEL RING - #169 | 04/09/98 | 52,000 | | 0 | 52,000 | 0.00% |
| T | P-496 | UPGRADE #169 ARC FURNACE CONTROLS | 04/27/98 | 428,030 | 193,731 | 527,232 | 0 | 123.18% |
| ACH | P-531 | REMANUFACTURE #251 GFM | 11/03/98 | 1,004,530 | 18,599 | 319,346 | 685,184 | 31.79% |
| MACH/FIN | P-533 | REPLACE ELEC CONTROLS #475 CRANE | 11/03/98 | 114,765 | 46,677 | 106,181 | 8,584 | 92.52% |
| SURP HARD | P-540 | LOAD SUPPORT ASSEMBLY #634 FURNACE | 02/08/99 | 35,000 | | 0 | 35,000 | 0.00% |
| MACH/FIN | P-544 | RBUILD #200 TURNING LATHE | 02/08/99 | 451,200 | 6,829 | 301,022 | 150,178 | 66.72% |
| INSP-QC | P-545 | SURFACE ANALYZING EQUIPMENT | 01/28/99 | 37,525 | 14,621 | 26,832 | 10,693 | 71.50% |
| MACH/BORING | P-548 | REBUILD #710 BORING LATHE | 02/08/99 | 285,000 | 28,250 | 121,988 | 163,012 | 42.80% |
| FP/FH | P-550 | REBUILD #100 FURNACE CAR | 02/19/99 | 115,600 | 33,859 | 119,150 | 0 | 103.07% |
| MACH/BORING | P-551 | 10" HONE HEAD FOR #156 HONE | 03/16/99 | 22,000 | 21,956 | 21,956 | 44 | 99.80% |
| SUF HARD | P-554 | INDUCTION ASSEMBLIES | 04/07/99 | 57,010 | 28,930 | 28,930 | 28,080 | 50.75% |
| PF/MACH | P-555 | CONVERT CROSS SLIDE/SCALES #354 | 04/29/99 | 33,850 | 6,834 | 15,888 | 17,962 | 46.94% |
| HEAT TREAT | P-556 | FURNACE CONTROL INSTRUMENTATION | 04/29/99 | 55,200 | 42,632 | 43,194 | 12,006 | 78.25% |
| SURF HARD | P-560 | VAR FREQ POWER SUPPLY, SERVO DRIVE | 04/29/99 | 354,875 | 2,492 | 2,492 | 352,383 | 0.70% |
| MECH MAINT | P-561 | CONSTRUCT PARTS STORAGE AREA | 04/29/99 | 31,150 | 273 | 273 | 30,877 | 0.88% |
| MACH/BORING | P-565 | TOW BUGGIE FOR BORING TRACKS | 05/18/99 | 15,000 | | 7,950 | 7,050 | 53.00% |
| QA | P-566 | VIRTUAL PRINT ROOM SCANNER | 05/18/99 | 10,795 | (7,916) | 11,041 | 0 | 102.28% |
| GEN PL MAINT | P-567 | TWO HOIST LIFTING BEAM | 05/20/99 | 13,780 | 12,859 | 12,859 | 921 | 93.32% |
| C/S RECOND | P-569 | CRANKSHAFT RECONDITIONING EQUIPME | 05/25/99 | 1,033,000 | 35,895 | 874,758 | 158,242 | 84.68% |
| GEN PL MAINT | P-570 | BUILDING FOR C/S RECONDITIONING | 05/25/99 | 1,000,000 | 1,934 | 1,934 | 998,066 | 0.19% |
| C/S RECOND | P-571 | EQUIPMENT, MILL, LATHE FOR C/S RECON | 05/25/99 | 475,000 | | 0 | 475,000 | 0.00% |
| CAD/CAM | P-573 | NOTEBOOK PC FOR CAD/CAM | 06/07/99 | 4,000 | 3,924 | 3,977 | 23 | 99.43% |
| IND RELATIONS | P-574 | SOUND LEVEL MEASURING EQUIPMENT | 06/07/99 | 3,500 | 3,538 | 3,538 | 0 | 101.09% |
| CHEM LAB | P-575 | UPGRADE FOR BAIRD SPECTROMETER | 06/11/99 | 7,500 | 5,851 | 5,851 | 1,649 | 78.01% |
| PF/MACH | P-576 | MODIFY #780 LOEWY PRESS DIE SYSTEM | 06/24/99 | 14,134 | 1,736 | 1,736 | 12,398 | 12.28% |
| NON DEST TEST | P-577 | ULSTRONIC UNIT | 06/24/99 | 7,685 | | 0 | 7,685 | 0.00% |
| MACH-BORING | P-578 | TOOLING FOR #112 LATHE | | 36,402 | 52,690 | 0 | 52,690 | 0.00% |
| IS | P-579 | RAS SERVER & FIREWALL SOFTWARE | 06/24/99 | 9,950 | 8,632 | 8,632 | 1,318 | 86.75% |
| HEAT TREAT | P-580 | REPLACE ROOFS BLDG #31 & 60 | 07/02/99 | 67,000 | | 0 | 67,000 | 0.00% |
| INSP-QC | P-581 | GRANITE PLATE FOR FINAL INSPECTION | 07/15/99 | 16,780 | | 0 | 16,780 | 0.00% |
| TOTAL OPEN PR YEAR PROJECTS | | | | 6,997,405 | 740,899 | 3,311,041 | 3,817,146 | 47.32% |
| TOTAL OPEN PROJECTS | | | | 7,209,155 | 764,274 | 3,334,416 | 4,005,521 | 46.25% |

NATIONAL FORGE COMPANY
CAPITAL PROJECT STATUS
AS OF SEPTEMBER 30, 1999

| DEPARTMENT | P# | FY 2000 CLOSED CAPITAL PROJECTS | DATE APPR | AMOUNT APPR | SPENT FY00 | SPENT TO DATE | BALANCE | % OF ALLOC SPENT |
|------------|---------|---------------------------------|--------------|----------------|---------------|------------------|---------|------------------------|
| PF/HT | P-564-R | REPAIR #740 FURNACE CAR | 7/16/99 | 21,260 | | 21,275 | 0 | 100.07% |
| HEAT TREAT | P-592 | 3 REPLACEMENT PUMPS FOR #190 | 8/30/99 | 24,815 | 15,302 | 15,302 | 9,513 | 61.66% |
| | | TOTAL CLOSED FY 2000 PROJECTS | | 46,075 | 15,302 | 36,577 | 9,513 | 79.39% |

| DEPARTMENT | P# | PR YR CLOSED CAPITAL PROJECTS | DATE APPR | AMOUNT APPR | SPENT FY00 | SPENT TO DATE | BALANCE | ALLOC SPENT |
|------------|----|-------------------------------|--------------|----------------|---------------|------------------|-----------|----------------|
| | | TOTAL PR YR CLOSED PROJECTS | | - | - | - | - | |
| | | TOTAL CLOSED PROJECTS | | 46,075 | 15,302 | 36,577 | 9,513 | 79.39% |
| | | TOTAL PROJECTS | | 7,255,230 | 779,576 | 3,370,993 | 4,015,034 | 46.46% |

MITCHELL, SHACKLETON & CO. LTD.
CAPITAL PROJECT STATUS
AS OF SEPTEMBER 30, 1999

| P# | 2000 OPEN CAPITAL PROJECTS | DATE APPR | AMOUNT APPROVED | SPENT FY 00 | SPENT TO DATE | BALANCE | % OF ALLOC SPENT |
|------|-----------------------------|--------------|--------------------|----------------|------------------|-----------|------------------------|
| | TOTAL OPEN 2000 PROJECTS | | 0 | 0 | 0 | 0 | 0 |
| P# | PR YR OPEN CAPITAL PROJECTS | DATE APPR | AMOUNT APPROVED | SPENT FY 00 | SPENT TO DATE | BALANCE | % OF ALLOC SPENT |
| P240 | GFM Machine | 01/99 | 1,433,792 | 569 | 14,456 | 1,419,336 | 1.01% |
| | TOTAL OPEN PR YEAR PROJECTS | | 1,433,792 | 569 | 14,456 | 1,419,336 | 1.01% |
| | TOTAL OPEN PROJECTS | | 1,433,792 | 569 | 14,456 | 1,419,336 | 1.01% |

NORTH WEST FORGEMASTERS, LTD.
CAPITAL PROJECT STATUS
AS OF SEPTEMBER 30, 1999

| P# | 2000 OPEN CAPITAL PROJECTS | DATE APPR | AMOUNT APPROVED | SPENT FY 00 | SPENT TO DATE | BALANCE | % OF ALLOC SPENT |
|----|-----------------------------|--------------|--------------------|----------------|------------------|---------|------------------------|
| | TOTAL 2000 OPEN PROJECTS | | 0 | 0 | 0 | 0 | |
| P# | PR YR OPEN CAPITAL PROJECTS | DATE APPR | AMOUNT APPROVED | SPENT FY 00 | SPENT TO DATE | BALANCE | % OF ALLOC SPENT |
| | TOTAL OPEN PR YEAR PROJECTS | | 0 | 0 | 0 | 0 | |
| | TOTAL OPEN PROJECTS | | 0 | 0 | 0 | 0 | |

RONALD L. KUIS, ESQUIRE

ATTORNEY - AT - LAW

12 SCENERY ROAD

PITTSBURGH, PENNSYLVANIA 15221

TELEPHONE 412/731-7246

TELECOPIER 412/731-3970

CONFIDENTIAL

ATTORNEY/CLIENT PRIVILEGE

October 27, 1999

E. Roger Clark, President
National Forge Company
One Front Street
Irvine, PA 16329

Re: Remediation Activities at Irvine

Dear Mr. Clark:

The purpose of this letter is to provide the management of National Forge Company with a report on the status of the remediation of AOC-6, Underground Storage Tanks.

Pursuant to the terms of the Remediation Agreement of June 29, 1995, between The RCR Group, Inc. and National Forge Company, Area of Concern ("AOC") 6 was defined by The Sear-Brown Group to include groundwater contamination assumed or believed to be arising from underground storage tanks at the Irvine facility. AOC-6 is the final AOC subject to technical review by the Pennsylvania Department of Environmental Protection ("PADEP"). The PADEP had previously issued approvals covering the investigation and remediation of AOC-1, AOC-2, AOC-3, AOC-4, AOC-5, AOC-7, and AOC-8. For AOC-9, Asbestos-Containing Materials, asbestos insulation and building materials are not within the scope of the Land Recycling and Environmental Remediation Standards Act (more commonly referred to as "Act 2") and, consequently, AOC-9 was not subject to review and approval by the PADEP. The Remediation Agreement has been specifically revised to address AOC-9 and AOC-9 remediation was completed under the revised agreement.

AOC-6, as originally identified by The Sear-Brown Group, is comprised of the flow through process tanks containing cutting oil used in the lower boring department, the cutting oil recycle system, and the soil and groundwater that have become contaminated because of cutting oil releases. The final closure report for AOC-6 will include the areas originally identified by The Sear-Brown Group as well as the overall site groundwater and groundwater under and downgradient of AOC-5, Aboveground Storage Tanks. Groundwater was excluded from the Notice of Intent to Remediate submitted earlier for AOC-5.

On October 1, 1999, National Forge submitted a letter to the PADEP, outlining the strategy for concluding the AOC-6 remediation. In this letter, National Forge states its intention to apply for liability protection for AOC-6 using a combination of cleanup standards. The Statewide Health Standard will be used to demonstrate attainment for the five polynuclear aromatic hydrocarbons identified in groundwater as potentially related to fuel oil releases. The cutting oils on groundwater will be addressed using the Site-Specific Standard, as

modified under the Act 2 streamlined reporting requirements. The following documents will be prepared and delivered to the PADEP: (i) a combined remedial investigation/final report that includes a post-remediation care plan; (ii) a combined Notice of Intent to Remediate, designating the cleanup standards to be used for contaminants in groundwater at the Irvine facility; (iii) all required public notices, including newspaper and host municipalities; (iv) a request for reduced sampling events, as permitted under Section 704(d) of Act 2; and (v) an analysis and review of pervasive arsenic levels in groundwater throughout Warren County.


The current long-term care plan will indicate to the PADEP that National Forge/RCR intends to continue oil recovery operations as long as oil recovery is "technically practical." "Technically practical" is defined as: oil recovery will continue using conventional pumping methods until such time as no more oil is collected or until such time as the monitoring data indicates that the oil recovery has reached asymptotic conditions. Quarterly monitoring of oil thickness levels will be performed by Moody & Associates. Oil thickness attainment monitoring is to be performed for eight (8) quarters starting when "technically practical" conditions are attained and concurrence is received from the PADEP.

The PADEP has provided a written response to National Forge's correspondence of October 1. In this response, dated October 18, 1999, the PADEP states: "Thank you for National Forge's October 1, 1999 letter describing how National Forge is going to proceed to obtain an Act 2 501 Waiver of Liability for AOC-6. The Department agrees with the plan you have outlined."

All submittals to the PADEP required under Act 2 should be completed on or about December 1.

If you have any further questions, please do not hesitate to call.

Very truly yours,



Ronald L. Kuis

RLK/sbg

cc: Sheila Anderson
Paul Wojciak
John G. Koedel, Jr.
Carl J. Diluzio

| | NATIONAL FORGE COMPANY | | | |
|--------------------------------------|--------------------------------|---------|--|--|
| | IRVINE PLANT | | | |
| | QUARTERLY CASH FLOW BONUS PLAN | | | |
| | FISCAL YEAR 2000 ACTUAL | | | |
| | (DOLLARS IN THOUSANDS) | | | |
| | | | | |
| | | FIRST | | |
| | | QUARTER | | |
| | | ACTUAL | | |
| PRE-TAX PROFIT (LOSS) | | (\$259) | | |
| ADD BONUS ACCRUED IN PROFITS | | 124 | | |
| ADD ESOP CONTRIBUTION | | 1,365 | | |
| ADD DEPRECIATION & MOLD AMORT. | | 702 | | |
| ADD ORGANIZATIONAL COST AMORT. | | 2 | | |
| ADD GOODWILL AMORTIZATION | | 146 | | |
| ADD REFINANCING COSTS | | 33 | | |
| LESS INTERCOMPANY DIVIDEND INCOME | | 0 | | |
| LESS CAPITAL EXPENDITURES | | (809) | | |
| LESS DEBT PAYMENTS-TERM | | (807) | | |
| LESS DEBT PAYMENTS-PIPE LINE | | 0 | | |
| ADJUSTED CASH FLOW | | 497 | | |
| QUARTERLY ADJUSTED CASH FLOW | | 497 | | |
| QUARTERLY CASH FLOW BONUS POOL (25%) | | \$124 | | |
| | | | | |
| BONUS AS % OF QUARTERLY W-2 EARNINGS | | 2.06 % | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| FILE:CFBONUS00 | | | | |
| 10/18/99 | | | | |
| LLC | | | | |
| | | | | |

CHARITABLE CONTRIBUTIONS

UNITED FUND ANNUAL CONTRIBUTIONS

| | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 |
|------------------------|----------|----------|----------|----------|----------|----------|
| National Forge Company | \$38,500 | \$38,500 | \$37,500 | \$36,000 | \$40,000 | \$40,000 |
| Community Fund | 18,000 | 18,000 | 22,050 | 17,390 | 12,960 | 12,960 |
| Total | \$56,500 | \$56,500 | \$59,550 | \$53,390 | \$52,960 | \$52,960 |

Warren General Hospital
\$200,000 Pledge
October 25, 1994
5 years
\$40,000 per year
\$10,000 outstanding as of September 30, 1999

YMCA
\$10,000 Pledge
July 7, 1995
5 Years
\$2,000 per year
\$1,500 outstanding as of September 30, 1999

The Salvation Army
Warren, PA
\$30,000 Pledge
August 14, 1998
3 Years
\$10,000 per year
\$23,500 outstanding as of September 30, 1999

Warren Concert Association
Warren, PA
\$1,500 Pledge
August 1999
3 Years
\$500 per year
\$1,000 outstanding as of September 30, 1999

Leukemia Society of America
Solicitation by Chase Bank
February 28, 1999
\$1,000

Charitable Contributions Committee
FY 1999 Annual Budget - \$12,000
Committee Members
William Bailey, Chairman
Maurice Cashman,
Charles Olson
Robert Richards

NATIONAL FORGE COMPANY®

Employee Owned

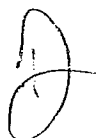
Memorandum

October 27, 1999

TO: Maurice J. Cashman

FROM: Thomas H. Jackson

RE: **FY 2000 Audit**



After discussions and negotiations with Mike Dillman of PricewaterhouseCoopers LLP (PwC), Pittsburgh Office, I recommend that we ask the Board of Directors to appoint PwC as our auditors for FY 2000.

The following is a summary of our actual US audit and Agreed Upon Procedures fees for FY 1996-FY 1999 and the negotiated fees for FY 2000:

| | FY 1996 Actual | FY 1997 Actual | FY 1998 Actual | FY 1999 Actual | FY 2000 Negotiated |
|---|---------------------------|---------------------------|---------------------------|---------------------------|-------------------------------|
| US Audit Fee base | \$93,000 | \$95,000 | 89,000 | \$91,500 | \$86,400 |
| Additional cost due to delay caused by covenant issue | 0 | 0 | 0 | 5,000 | 0 |
| Agreed Upon Procedures | <u>5,000</u> | <u>4,000</u> | <u>5,000</u> | <u>5,500</u> | <u>5,600</u> |
| | <u>\$98,000</u> | <u>\$99,000</u> | <u>\$94,000</u> | <u>\$97,000</u> | <u>\$92,000</u> |
| | | | | 101,000 | |

This represents a decrease in the US audit fee of \$5,100 or 5.6% from the base fee for FY 1999 and an increase of \$100 or 1.8% from FY 1999 for the Agreed Upon Procedures. The negotiated fees do not include PwC expenses related to travel of approximately \$11,000, which should be in line with expenses incurred for the FY 1999 audit.

THJ/pdc

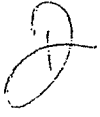
NATIONAL FORGE COMPANY®

Employee Owned

Memorandum

November 3, 1999

TO: National Forge Company Board of Directors

FROM: Thomas H. Jackson 

RE: **Y2K Update**

The following information is provided to update you on our Y2K progress since the August 20, 1999 board meeting. As you will note on the graphs, our US operations are in very good shape as it relates to equipment and systems under our control. Although continued attention on Y2K issues is needed in our UK operations, I feel confident that they are addressing the major concerns.

Several customers have been very insistent that we confirm we are Y2K compliant. Even though we are confident about compliance, we have been advised by our legal counsel not to give absolute assurance. I have included a copy of the latest response that we have provided to our lending group and several customers.

We have developed and have included our contingency plans. These plans were developed for the critical areas within our company that could be impacted by either internal or external Y2K disruptions. We will continue to test our equipment and systems for Y2K readiness during the remainder of 1999.

THJ/pdc



NATIONAL FORGE COMPANY®

Employee Owned

Thomas H. Jackson
Controller

One Front Street
Irvine, Pennsylvania 16329 USA
Telephone: (814) 563-7522
Fax: (814) 563-9209

THIS LETTER IS A YEAR 2000 READINESS DISCLOSURE PURSUANT TO THE YEAR 2000 INFORMATION AND READINESS DISCLOSURE ACT, P.L. 105-271. PLEASE NOTE THAT SOME OF THE YEAR 2000 STATEMENTS SET FORTH HEREIN MAY BE REPUBLISHED STATEMENTS BASED ON INFORMATION SUPPLIED BY ANOTHER PERSON OR ENTITY THE CONTENTS OF WHICH HAVE NOT BEEN VERIFIED.

November 2, 1999

«Company_Name»
«Company_Contact»
«Address_1»
«Address_2»
«City», «State» «Zip»

Dear Y2K Coordinator:

This is in response to your inquiry regarding the efforts we are making in preparation for the Year 2000. As you may recognize, the Year 2000 computer bug presents the business world with an unprecedented and unique problem that potentially touches every facet of business operations. At National Forge Company ("National Forge"), we are working hard to attempt to address these challenges within our company.

Accordingly, we have instituted a Year 2000 plan, the goal of which is to make the company Year 2000 compliant. We have analyzed all systems and equipment which we currently believe may present a Year 2000 problem, including, but not limited to, all software, hardware, equipment we believe to contain embedded date-sensitive micro-chip processors or software, manufacturing equipment, building systems, and other at-risk systems. As appropriate, we believe we have remediated existing equipment or migrate to new equipment that has been represented to be Year 2000 compliant.

As a user of commercial equipment, software and hardware products, and other systems, in many instances National Forge is dependent on others in evaluating Year 2000 compliance or bringing systems into compliance. As you may know, the United States Securities and Exchange Commission has noted that "it is not, and will not, be possible for any single entity or collective enterprise to represent that it has achieved complete Year 2000 compliance and thus to guarantee its remediation efforts."

Regardless of these inevitable limitations of any efforts in this regard, National Forge believes that its Year 2000 program has taken the appropriate steps in addressing any Year 2000 concerns. We look forward to working with you in regard to addressing the difficult and complex challenges relating to the Year 2000 issue.

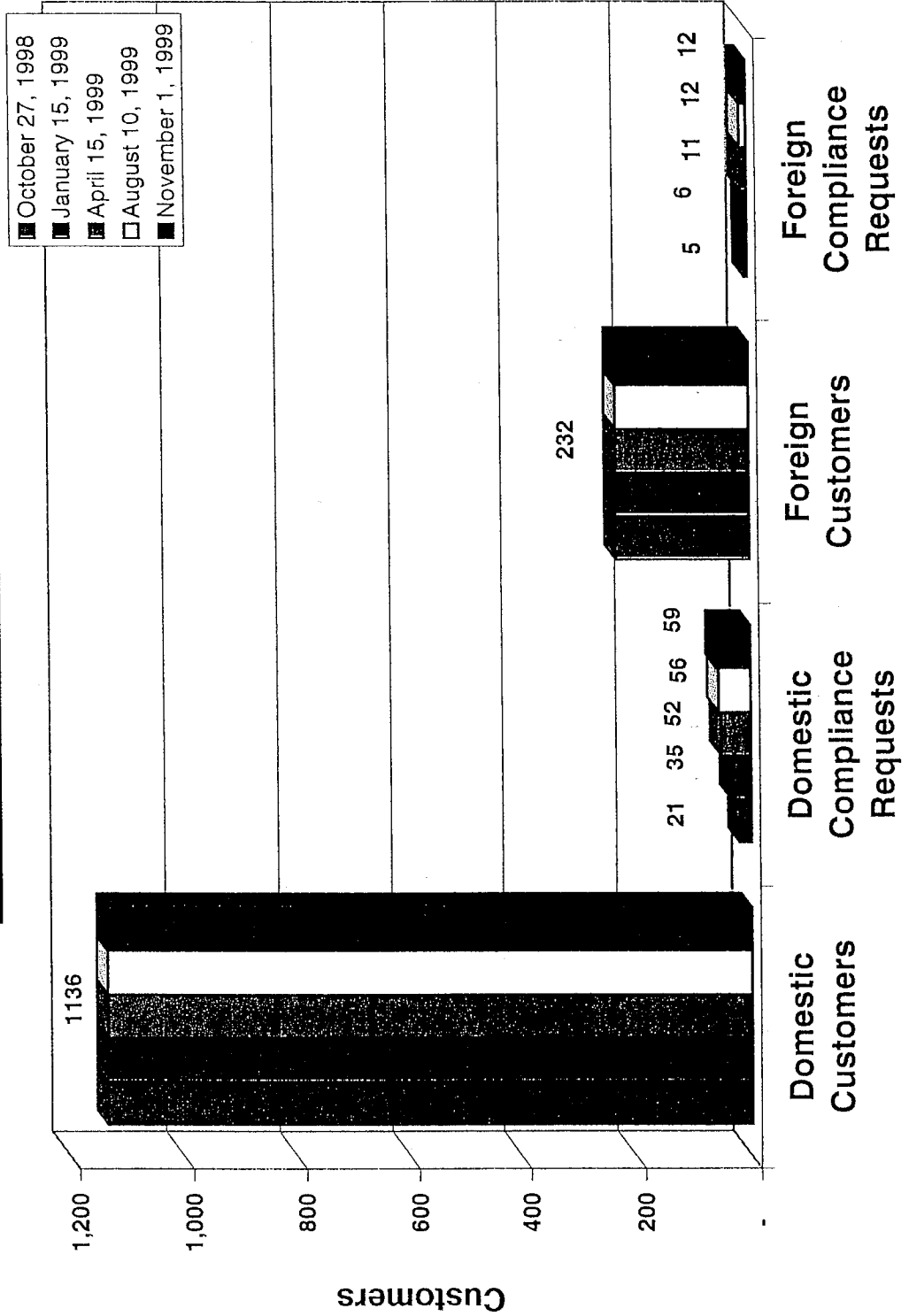
Very truly yours,

Thomas H. Jackson
Controller and Year 2000 Compliance Coordinator

THJ/pdc

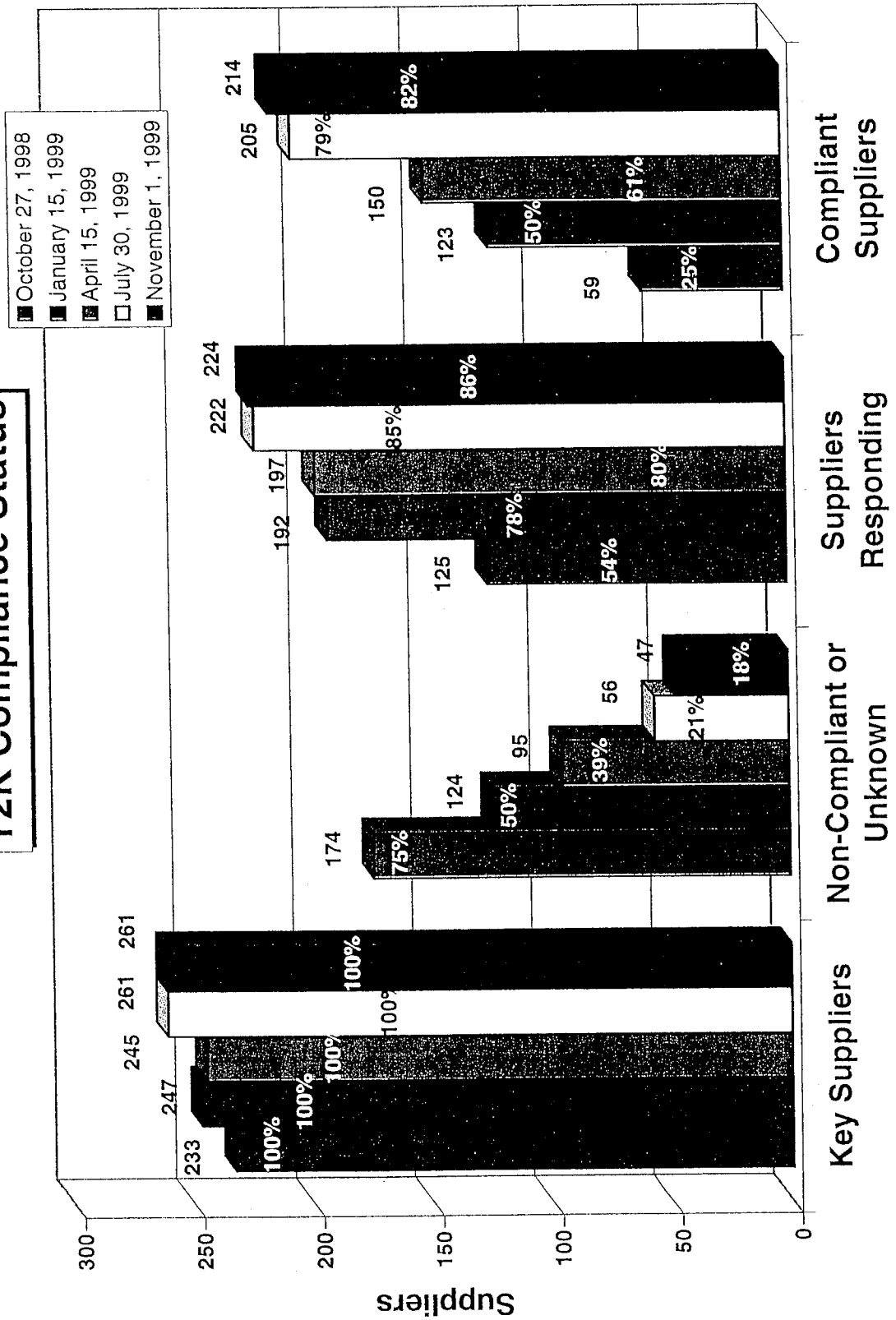
National Forge Company Irvine Plant

Customers Y2K Compliance Status Request



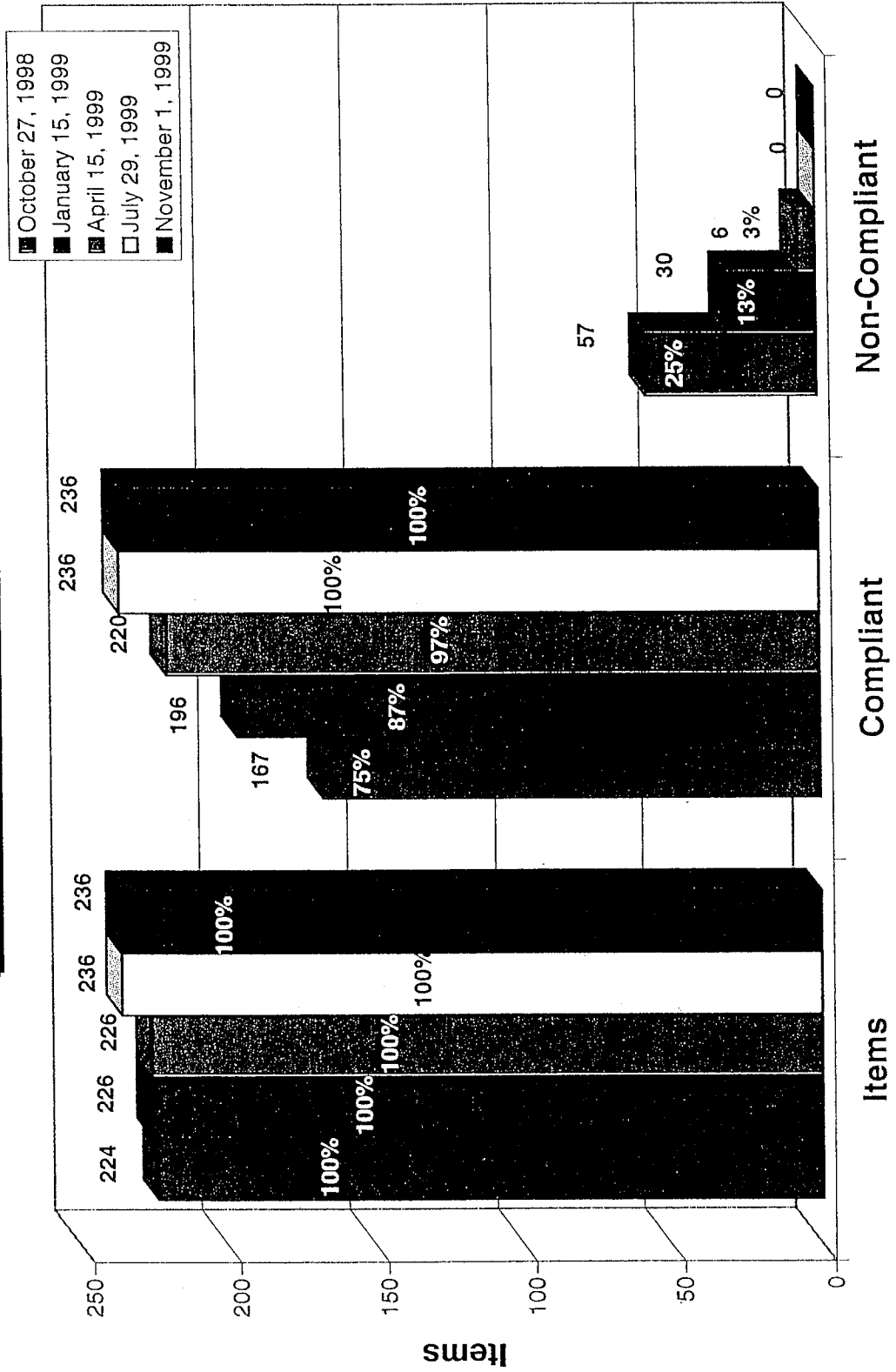
National Forge Company Irvine Plant

Key Suppliers Y2K Compliance Status



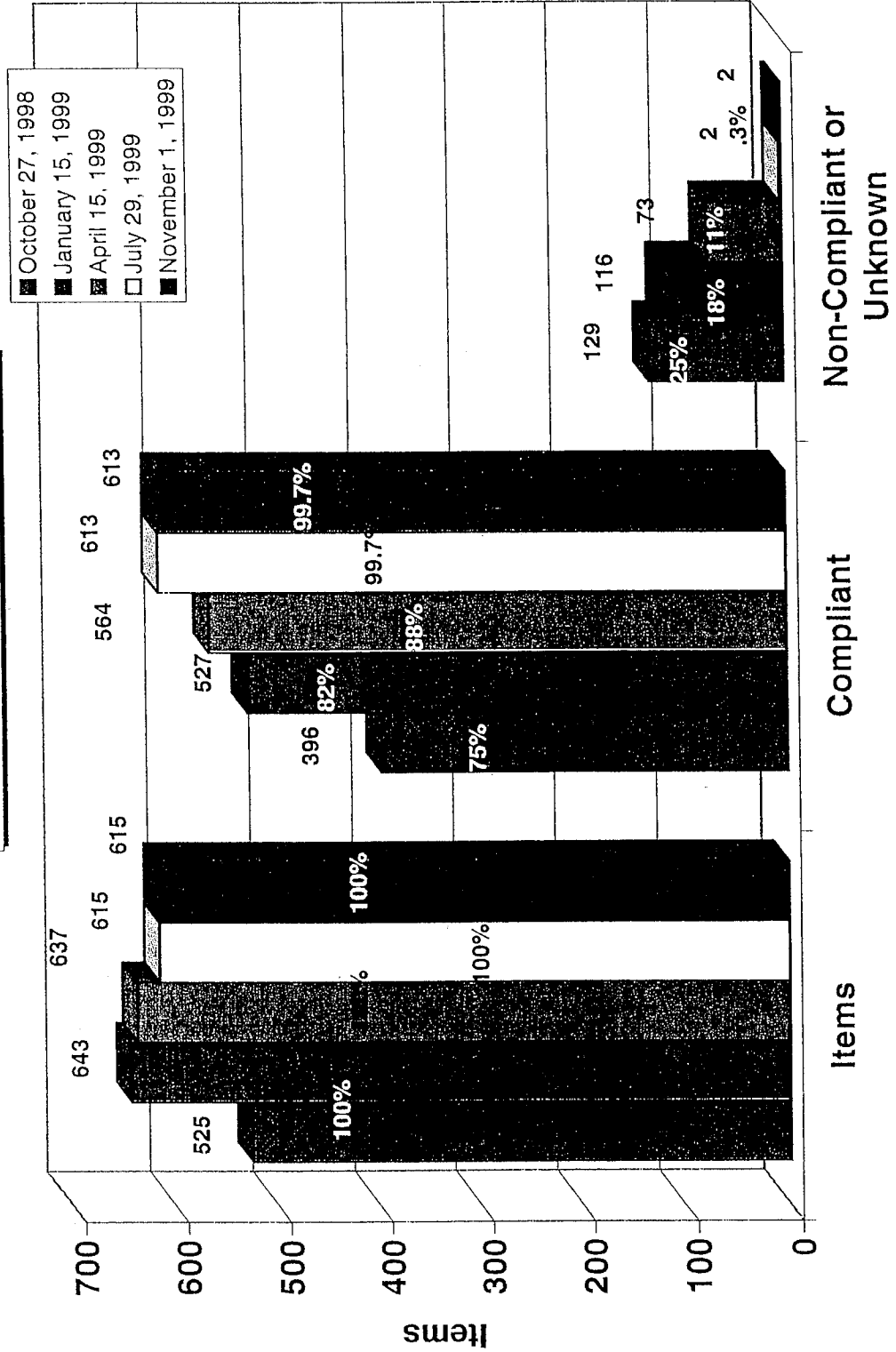
National Forge Company Irvine Plant

Manufacturing Equipment/Systems Y2K Compliance Status



National Forge Company Irvine Plant

Information Systems Y2K Compliance Status



National Forge Company UK Operations

Customers Y2K Compliance Status Request

